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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

SEP - 3 1997

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of:)
) CC Docket No. 96-45
Federal-State Joint Board)
on Universal Service)

**REPLY OF AMERITECH TO COMMENTS
ON PETITIONS FOR RECONSIDERATION**

Ameritech¹ submits this reply to comments on petitions for reconsideration ("PFRs") filed with respect to the Commission's Universal Service Order.²

Ameritech limits its reply to the issue of combining interstate and intrastate high cost support into a single federal fund.

In the Universal Service Order, the Commission specifically decided that the federal high cost support mechanism will support the "interstate portion" of universal service costs, approximating that share at 25%.³

Several parties have asked the Commission to reconsider that decision and, specifically, to adopt a combined state and federal fund that supports intrastate as

¹ Ameritech means: Illinois Bell Telephone Company, Indiana Bell Telephone Company, Incorporated, Michigan Bell Telephone Company, The Ohio Bell Telephone Company, and Wisconsin Bell, Inc.

² *In the Matter of Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, FCC 97-157 (released May 8, 1997) ("Universal Service Order").

³ *Id.* at ¶¶268-269.

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well as interstate service.⁴ These petitions were supported by the comments of several parties.⁵ These petitions and comments argue generally that it was erroneous for the Commission to assume that the states would do their part to support universal service or that the proposed funding mechanism would otherwise leave the bulk of universal service costs unsupported.

The Commission, however, should deny these requests and dismiss the comments. The Commission's decision is the correct one from both policy and legal perspectives. The Commission correctly noted that it would be premature to substitute explicit federal universal service support for implicit intrastate universal service support before states have completed their own universal service reforms and identified the support implicit in existing intrastate rates.⁶ Certainly, in order to implement a combined fund, current intrastate subsidies implicit in existing intrastate rates would have to be identified and accounted for. Moreover, as the Commission indicated, there is no reason to assume that the states would not fulfill their role in providing for high cost support.⁷ The statute itself contemplates that the states should have a significant role in universal service

⁴ Petitions of Sprint at 2, US West at 2-8, Rural Telephone Coalition at 1-6, Vermont Department of Public Service at 2-6, Wyoming Public Service Commission at 2-4, Alaska Public Utility Commission at 5-9, Public Utility Commission of Texas at 2, Arkansas Public Service Commission at 1-3.

⁵ See, BellSouth at 1-3, Colorado Public Utilities Commission at 1-3, New Mexico State Corporations Commission *passim*, Virgin Islands Telephone Corporation at 1-5.

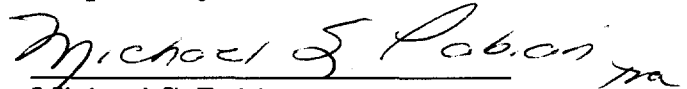
⁶ Universal Service Order at ¶271.

⁷ *Id.*

support. In fact, the statute provides that there be separate funds for federal and state universal service support.⁸ For that reason, the request for a combined federal/state high cost support fund is inconsistent with the requirements of the statute.

In light of the foregoing, the Commission should refuse to implement a combined federal/state high cost support fund.

Respectfully submitted,

A handwritten signature in cursive script, reading "Michael S. Pabian", written over a horizontal line.

Michael S. Pabian

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Dated: September 3, 1997

[MSP0061.doc]

⁸ See, §§254(d) and (f) of the Communications Act of 1934 as amended by the Telecommunications Act of 1996.

CERTIFICATE OF SERVICE

I, Todd H. Bond, do hereby certify that a copy of the foregoing Reply of Ameritech to Comments on Petitions For Reconsideration has been served on all parties listed on the attached service list, via first class mail, postage prepaid, on this 3rd day of September, 1997.

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